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FISCAL IMPACT STATEMENT

LS 7804

BILL NUMBER: SB 486

NOTE PREPARED: Apr 7, 2003

BILL AMENDED: Apr 7, 2003

SUBJECT: Unemployment Compensation.

FIRST AUTHOR: Sen. Harrison

FIRST SPONSOR: Rep. Liggett

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases the maximum weekly unemployment compensation amount over a four-year term beginning July 1, 2003. It reduces to 10 days an employer's response time to unemployment benefit claims. The bill establishes work sharing benefits.

The bill requires the Department of Workforce Development (DWD) to deposit the first \$450,000 in Skills 2016 training assessments in the Special Employment and Training Services Fund. It eliminates the transfer of Skills 2016 Training Fund assessments and deposits to the Unemployment Insurance Benefit Fund. This bill increases to 83% the amount in the Skills 2016 Training Fund allocated to Ivy Tech and reduces to 12.5% the maximum amount from the allocation that may be used by Ivy Tech for administrative costs. It specifies that the Skills 2016 Training Fund administrative expenses are paid from the fund subject to the approval of the Incumbent Workers Training Board. It also repeals the sunset provision for the Skills 2016 Training Program. The bill makes permanent the reduction in the Unemployment Benefit Insurance Fund contribution rate to fund the Skills 2016 Training Program.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) The current earnings base used for the computation of weekly benefits is \$7,900 per quarter for a maximum weekly benefit of \$336 for FY 2003. The bill increases the earnings base to :

1. \$8,350- per quarter and increases the maximum weekly benefit to \$354, an increase of \$18 (or 5.4% over FY 2003), for FY 2004,
2. \$8,800 per quarter and increases the maximum weekly benefit to \$372, an increase of \$36 (or 10.7% over FY 2003), for FY 2005,

3. \$9,250 per quarter and increases the maximum weekly benefit to \$390, an increase of \$54 (or 16.1% over FY 2003), for FY 2006.
4. \$9,700 per quarter and increases the maximum weekly benefit to \$408, an increase of \$72 (or 21.4% over FY 2003), for FY 2007.

This provision will impact the amount of benefits available to an individual from the Unemployment Benefit Trust Fund. Based on the amount paid in unemployment benefits in FY 2002, this bill would increase expenditures from the Unemployment Benefit Trust Fund by approximately \$37.6 M in FY 2004, \$75.3 M for FY 2005, \$112.9 M for FY 2006, and \$150.6 M for FY 2007.

Note: The Unemployment Benefit Trust Fund is funded by quarterly contributions made by employers. The amount of each employer's contribution is based on the employer's individual unemployment account history and the past year's statewide unemployment rate. Other factors, including benefits paid to former employees, voluntary payments made, and the partial selling and purchasing of other businesses by the employer also impact each employer's rate. The potential impact of the provisions of this bill will change as the state's economy changes. For example, if the state's unemployment rate increases, the amount of unemployment benefits paid from the Fund will increase, and an employer's contribution rate to the Fund will change.

The state of Indiana is self-insured for unemployment benefits and pays claims as they occur. Each agency is responsible for paying its unemployment claims. For FY 2002 the state paid \$2.7 M in benefits: \$1,463,696 from the General Fund and \$1,287,736 from dedicated funds. The maximum impact to state agencies is about \$147,400 for FY 2004 (\$78,400 from the General Fund and \$69,000 from dedicated funds), \$294,800 for FY 2005 (\$156,800 from the General Fund and \$138,000 from dedicated funds), \$442,200 for FY 2006 (\$235,200 from the General Fund and \$207,000 from dedicated funds), and \$589,600 for FY 2007 (\$313,700 from the General Fund and \$275,900 from dedicated funds).

Work Sharing Unemployment Compensation Benefits: The bill allows for the development of a job sharing plan by a business with the approval of the Department of Workforce Development. The plan would list the individuals involved in the job sharing, and the plan would be limited to a duration of not more than six months. During that time an individual could receive partial unemployment benefits. The benefit would equal the benefit the individual would be eligible for times the percentage reduction in working hours due to the job sharing. The fiscal impact is unknown. The bill would give businesses an option during economic slowdowns.

Ten-Day Response Time: The bill reduces from 20 days to 10 days an employer's response time to unemployment benefit claims. The bill could increase the employer costs due to the shorter response time. The impact on the employer is unknown. The impact on the state is as an employer, but is probably minor.

Skills 2016 Training Program - Current law allocates an amount not to exceed \$450,000 for training and counseling assistance for the unemployed from the Skills 2016 Training assessment. The bill would specify that the first \$450,000 of the assessment, unless the Unemployment Insurance Board approves a lesser amount, would be used for training and counseling assistance for the unemployed. The provision would have no state fiscal impact. The bill increases to 83% the amount in the Skills 2016 Training Fund allocated to Ivy Tech and reduces to 12.5% the maximum amount from the allocation that may be used by Ivy Tech for administrative costs. The provision should have no state fiscal impact. Current law provides that if the ratio of the Unemployment Fund balance to the gross payroll of all employers is less than 0.015, then the Skills 2016 Training assessment is transferred to the Unemployment Fund of the Skills 2016 Training Fund. The bill deletes the transfer provision. The change would not have any impact as long as the ratio stays about

0.015.

Explanation of State Revenues:

Explanation of Local Expenditures: Local governments and school corporations could incur an indeterminable increase in expenses as a result of these proposals (see *Explanation of State Expenditures*).

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources:

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